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We have no evidence as yet that the USSR has started to implement its announced military budget increase. We have reason to believe that perhaps part of the 3,144 billion ruble sum represents measures which had already been taken. There has been no reinforcement of Soviet troops in the GDR.

TASS plans to issue a statement today denouncing alleged surveillance activities of submarines in Soviet territorial waters and warning that the USSR Ministry of Defense has been instructed to destroy such submarines.

Berlin Border Closure. In their successful border closure action of August 13, reinforced by the further restrictions imposed August 22, the communists accomplished two major goals; they cut off the escape hatch for refugees and all but destroyed the vestiges of the four-power status of East Berlin. From the communists' point of view, these gains are not diminished by the apparent fact that internal weakness in the GDR induced them to take this action prematurely.

Moscow propagandists have generally refrained from crowing about this success, concentrating instead on countercharges justifying the action. In speeches on August 18 and August 25, however, Ulbricht boastfully assessed the "new situation" brought about by the border closure by asserting the action stopped the "slave trade" (refugee flow), demonstrated the GDR was not subject to "blackmail," contributed to the "forthcoming negotiations" on a peace treaty and Berlin and made the West more anxious to negotiate, and consolidated communist rule in East Germany.

The most authoritative Soviet response to date to the Vice President's trip and the reinforcement of the US garrison in Berlin was a Pravda "Observer" article which argued that these developments were evidence of US yielding to pressure by the West Germans who are seeking to provoke the US into a "major conflict," and intimated that the moves made the USSR all the more determined to sign a separate treaty.

Soviet reaction to date to the White House statement and the Western notes on the use of the air corridors has been quite mild.

Probable Impact of US Moves on Soviet Intentions

There can be little doubt that US military preparedness measures have had a salubrious effect in impressing Khrushchev with our determination to resist vital encroachments on our position in West Berlin. These actions and statements far exceed similar Western moves during the similar period in 1958-59 and, unlike that period, there have been few indications of divisions among the Allies connoting weakness.

This positive impact, however, must have been offset to an indeterminate extent by the relative lack of concrete Western response to the sector border closing. The communists did not expect the West to respond by force of arms (otherwise they would not have initiated the action), but they probably anticipated some retaliation short of this. While Ulbricht's boastful statements are largely for the benefit of the German populace, they do reflect a more confident state of mind.

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DEPARTMENT OF STATE

Bureau of Intelligence and Research

Research Memorandum  
August 28, 1961

ASSESSMENT OF CURRENT SOVIET INTENTIONS IN THE BERLIN CRISIS

Reaction to US Moves

Preparatory Measures. Khrushchev's August 7 speech, intended as a reply to the President's speech of July 25, established the pattern of Soviet response to Western preparatory measures. Against the background of its demand renewed last June for negotiations on its terms and under the threat of a unilateral treaty, the USSR:

(1) has sought to throw the onus on the West for any deepening of the crisis by not initiating military preparations, and

(2) has in most instances deliberately responded in like measure to Western actions and statements in order to maintain the credibility of its threat and hence to strengthen its bargaining position.

Thus, in a calculated answer to the President, Khrushchev asserted that vital interests of the USSR were at stake, and warned the Soviet people of the danger of war since the Soviet Government was determined to protect these interests (by closing the Berlin "loophole") and since the West was "pushing the world to a dangerous divide." In a further response, Khrushchev warned that the USSR might have to call up reserves and redeploy troops along the "Western borders." Khrushchev did stop short, however, of announcing a new military budget increase (the 3.144 billion ruble increase announced July 8 was put forth as a response to the budget increase proposed by the President in May), stating that "tentatively" the Soviet Government found this unnecessary.

In his last major speech August 11, Khrushchev repeated the themes of the danger of war and the involvement of Soviet prestige and vital interests, but refrained from stressing these points in his last two public pronouncements ("letter to American readers" broadcast August 22, statement to Drew Pearson published today.) Meanwhile Soviet propagandists have continued during August to castigate the US buildup, variously claiming that the US is heading for war, or that the "war hysteria" in the West is artificially being stimulated for economic reasons. Moscow has not, however, announced any new measures of its own. So far, Moscow Radio has broadcast only a brief factual account of the US reserve call-up announced Friday.

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The absence of an agreement on future four-power talks places one less restraint on communist "salami tactics" on the Berlin front.

In the wake of recent developments, there is an outside chance that Moscow, switching its previously indicated approach, might sign a separate treaty in the relatively near future without making any serious attempt to bring about negotiations and then, following signature of the unilateral treaty, offer to negotiate on Berlin. It is much more likely, however, that the USSR's tactics remain what we have previously estimated them to be, namely, to obtain four- or six-power negotiations under terms and conditions made favorable by the threat of unilateral action.

Khrushchev recently has been less rigid on the terms of negotiations; he has not mentioned the separate treaty deadline in a published statement since August 3 and on several occasions has specifically referred to the need for four-power talks, not a peace conference. It is difficult to say whether this represents a reaction to Western actions and statements or the normal progression found in Soviet diplomatic practice.

As for the terms of an agreed settlement, Khrushchev continues to restate routinely the maximum Soviet demand for a two Germanies peace treaty and, on this basis, a "free city." The actual Soviet negotiating position undoubtedly has been and still is less. (In his August 25 speech, Ulbricht indicated willingness to discuss an agreement limited to Berlin as an alternative to peace treaty talks.) It is impossible at this stage to state whether Western military preparatory steps have had any effect on the Soviet position. Other factors being constant, Khrushchev's price should decline in direct proportion to his assessment of Western firmness. However, there is some danger that the USSR's actual negotiating position will become more rigid (and there are some current indications to support this point) in the absence of early progress toward setting the terms of negotiations, and in view of Khrushchev's compulsion to react, under these circumstances, to Western actions.

#### Checklist of Possible Communist Actions over Next Several Weeks

**Negotiations.** It is doubtful that the USSR will take any significant step toward furthering negotiations until it receives a reply to its August 3 note. Meanwhile, it might attempt to spur negotiations by throwing out hints indicating some flexibility and by new statements stressing the dangers of the situation. Further gambits along the lines of Khrushchev's August 24 letter to Fanfani can be expected.

The possibility cannot be excluded that the Warsaw Pact powers, as a group, will issue a call in the near future for a peace conference, either as a spur to negotiations or as an actual step toward a separate treaty.

**Access Routes.** The communists will continue to warn against the "illegal" West German use of Allied air access routes, but we do not believe they will attempt physically to obstruct air traffic. The East Germans might harass West German traffic over surface routes, particularly in response to Western moves, but here again we doubt that there will be any attempt to stop this traffic.

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Berlin. Using the air corridor issue as a pretext, the East Germans may well invoke the September 8, 1960 decree which would place the same restrictions on West German entry into East Berlin as those now applying to West Berliners. The East Germans will probably continue to raise questions concerning Allied access to East Berlin and, while unlikely, might make demands in this regard which they know would be unacceptable to us.

East Germany. There will be continuing efforts to consolidate the effects of the border closure and tighten internal security -- show trials, "resettlement" of former "border crossers" from East Berlin, shows of strength where necessary.

Military Preparedness. A call-up of some Soviet reserve units and a new missile shot into the Pacific range would not be unexpected.

Other Actions. Khrushchev will undoubtedly send a message of greeting to the Belgrade conference and will continue Soviet efforts to influence whatever decision the conference may make on the German and Berlin questions. We have received one hint (from Rumania) that bloc leaders may attend the forthcoming UN General Assembly session.

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